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NOTE ON BISHOP WHATELY'S VIEW  
OF PROFITS.

President Walker says in his text-book: "Now it is fundamental in my theory of distribution, as to which I am generally in accord with French economists, that the entrepreneur class, the employers of labor, receive a share of the product of industry which is at once so important through its amount that it cannot be omitted from consideration and so widely different on the principles by which it is governed that the term wages cannot be applied thereto without introducing a wholly unnecessary and mischievous confusion of ideas.—To the entrepreneur's share of the product I shall strictly apply the term profits."

Continuing under the heading, Profits a Species of the same Genus as Rent, he says: "In my opinion, profits as thus defined bear a strong resemblance to rent. In this view I follow Archbishop Whately, who, in the appendix to his treatise on Logic, declares that the rent of land is only a species of an extended genus."

All well so far. However, we fail to find him giving a definition of the genus. I think the same is true of other writers of his belief.

Turning to the original as given by Whately, we find that he says, "Adam Smith first divided revenue into rent, wages, and profits." He then adds the definitions of these terms as given by Smith, Say, Storch, Malthus, Mill, and others, and later says: "But there is another and a very large share of revenue which is not the creation of man, but of nature; which owes its origin, not to the will of the possessor, but to accident." If we are to take this for his definition, it falls far short of that for which we are looking.

Marshall says much of *quasi-rents* and traces a gradual gradation from the slightest rent of this sort to a true situation-land-rent.

An old and well-established manufacturing business and a

successful profession are species of the same genus as land-rent. However, they are not the results of accident, nor are they natural agents. So Whately's statement is not available here. And Marshall does not define the genus.

I wish to suggest the following. The genus consists of long period products which are themselves factors in the production of shorter period products. These long period products being limited in supply, the producers of the short period products stand ready to pay a rent for the use of these long period products.

The first reply may be: "What you call long period products must include a variety of things that are not altogether homogeneous under the time concept. Why not say: 'The genus is anything for the use of which a second party is willing to pay'?" This would yield one idea that rent is a price paid for the use of something for production, but it does not cover the idea that rent is a differential gain."

Reply. "Anything for the use of which a second party is willing to pay" is little more than saying "of the same genus as rent."

What we are seeking is the property common to all the genus that causes a second party to be willing to pay. We admit that seemingly there are included "a variety of things that are not altogether homogeneous under the time concept."

(1) Land having a favorable situation in a large city.

One paid a rent for a good business corner in a county seat in New York in 1830. Had he then come to Des Moines, Ia., he could have obtained almost free the best present business corner. This business corner is a long period product.

(2) A man has a son eighteen years old, but unskilled as a surgeon.

The father wishes to have a difficult operation performed. Why does he not wait to educate his son? He is willing to pay the skilled surgeon a *quasi*-rent for the reason that the acquiring of the skill requires a long period as compared to the time of performing the operation.

(3) A man accidentally invents a useful machine, and obtains a patent enabling him to receive a *quasi*-rent. Since, as a rule, an important invention is a long time product.

The poorest land, professional skill, or mechanical device in use as a factor in production at the same time for the same market, is the no rent factor from which the differential gain is reckoned.

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